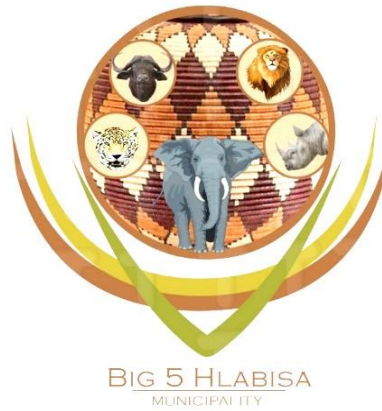


BIG 5 HLABISA MUNICIPALITY



SUPPLY CHAIN MANAGEMENT POLICY

This policy was adopted by the Hlabisa Local Municipality, in terms of section 111 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

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1. DEFINITIONS

1.1. In this policy, unless the context indicates otherwise, the following definitions are applied

- a) 'Accounting Officer' means the Municipal Manager for the Municipality within the meaning of Section 82 of the Municipal Structures Act, 1998 (Act No.117 of 1998);
- b) 'Bid' means a written offer in a prescribed or stipulated form in response to an invitation by an organ of state for the provision of services, works or goods. This replaces 'tender' used in previous policies;
- c) 'Commonly circulated newspapers' are newspapers that are deemed to be the most widely available for accredited suppliers (at the time of writing this policy these are: Ilanga, Natal Mercury, Zululand Observer);
- d) 'CFO' means Chief Financial Officer;
- e) 'Close family member' means: (i) a member of the same household (including someone residing on the premises), (ii) parent (including adoptive parent), (iii) parent-in-law, (iv) son (including adoptive son), (v) son-in-law, (vi) daughter (including adoptive daughter), (vii) daughter-in-law, (viii) step-parent, (ix) step-son, (x) step-daughter, (xi) brother, (xii) sister, (xiii) grandparent, (xiv) grandchild, (xv) uncle, (xvi) aunt, (xvii) nephew, (xviii) niece, (xix) the spouse or unmarried partner in any of (i) to (xii) above;
- f) 'Contract' means the agreement that results from the acceptance of a bid or quotation by the Municipality;
- g) Financial Services Department means the 'Budget and Treasury Office' as set out in section 80 of the MFMA;
- h) 'In the service of the state' means to be –
 - (a) a member of –
 - (i) any municipal council;
 - (ii) any provincial legislature; or (iii) the National Assembly or the National Council of Provinces;
 - (b) a member of the board of directors of any municipal entity;
 - (c) an official of any municipality or municipal entity;
 - (d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999);

- (e) a member of the accounting authority of any national or provincial or public entity; or
- (f) an employee of Parliament or provincial legislature.
- i) 'long-term contract' means a contract with a duration period exceeding one year;
- j) 'MFMA' means the Municipal Finance Management Act (Act No. 56 of 2003);
- k) 'Procurement Manager' is the head of the Procurement Unit within the Financial Services Department;
- l) 'Procurement Section' means the Supply Chain Management Unit as described in the Framework for Supply Chain Management regulations;
- m) 'Quotation' means a stated price that a supplier expects to receive for the provision of specified services, works or goods;
- n) 'Relevant head of department' means the head of the department for which the goods or services are being procured; and
- o) 'Supply Chain Management Practitioners' include the Chief Financial Officer, Procurement Manager and any other member NOTE: MEMBER OF WHAT? involved in supply chain management function.
- p) 'Treasury guidelines' means any guidelines on supply chain management issued by the Minister in terms of section 168 of the MFMA.

CHAPTER 1

ESTABLISHMENT AND IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

2. OBJECTIVE

2.1. The Big 5 Hlabisa Local Municipality resolves in terms of section 111 of the MFMA to have and implement a supply chain management policy that –

a) gives effect to –

i. section 217 of the Constitution; and

ii. part 1 of Chapter 11 and other provisions of the MFMA

b) is fair, equitable, transparent, competitive and cost-effective;

c) facilitates service delivery;

d) applies the highest ethical standards;

e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres;

f) promotes local economic development;

g) complies with the necessary regulatory frameworks for supply chain management; and

h) is consistent with other applicable legislation, including-

i. the Municipal Finance Management Act No. 56 of 2003;

ii. the Preferential Procurement Policy Framework Act No. 5 of 2000; and

iii. the Broad-Based Black Economic Empowerment Act No 53 of 2003.

2.2. The municipality may not act otherwise than in accordance with this supply chain management policy when –

a) procuring goods or services;

b) disposing of goods no longer needed;

c) selecting contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or

d) selecting external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.

2.3. Paragraphs 2.1 and 2.2 of this policy do not apply in the circumstances described in section 110 (2) of the MFMA except where specifically provided otherwise in this policy.

3. ADOPTION AND AMENDMENT OF THE SUPPLY CHAIN MANAGEMENT POLICY

3.1. The accounting officer must –

- a)** at least annually review the implementation of this policy; and
- b)** when the accounting officer considers it necessary, submit proposals for the amendment of this policy to council.

3.2. If the accounting officer submits a draft policy to the council that differs from the model policy, the accounting officer must ensure that such draft policy complies with the Regulations. The accounting officer must report any deviation from the model policy to the National Treasury and the KwaZulu-Natal provincial treasury. NB THIS POLICY DIFFERS FROM THE MODEL TREASURY POLICY

3.3. When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.

3.4. The accounting officer must in terms of section 62(1)(f)(iv) of the MFMA, take all reasonable steps to ensure that the municipality has and implements this supply chain management policy.

4. DELEGATION OF SUPPLY CHAIN MANAGEMENT POWERS AND DUTIES

4.1. The council hereby delegates such additional powers and duties to the accounting officer so as to enable the accounting officer –

- a)** to discharge the supply chain management responsibilities conferred on him in terms of –

- i.** chapter 8 of the MFMA; and

- ii.** the supply chain management policy;

- b)** to maximise administrative and operational efficiency in the implementation of the supply chain management policy;

- c)** to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of the supply chain management policy; and

- d)** comply with his responsibilities in terms of section 115 and other applicable provisions of the MFMA.

4.2. Sections 79 and 106 of the MFMA apply to the sub-delegation of powers and duties delegated to an accounting officer in terms of paragraph 4.1 of this policy.

4.3. The council or accounting officer may not delegate or sub-delegate any supply chain management powers or duties to a person who is not an official of the municipality or to a committee that is not exclusively comprised of officials of the municipality;

4.4. This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 23 of this policy.

4.5. *This policy sets out the delegations to be applied in accordance with this paragraph. Any changes will be reported to council by the accounting officer.*

5. SUB-DELEGATIONS

5.1. The accounting officer may in terms of section 79 or 106 of the MFMA sub-delegate any supply chain management powers and duties, including those delegated to the accounting officer in terms of this policy, but any such sub-delegation must be consistent with paragraph 5.2 and paragraph 4 of this policy.

5.2. The power to make a final award –

a) above R10 million (VAT included) may not be sub-delegated by the accounting officer;

b) above R2 million (VAT included), but not exceeding R10 million (VAT included), may be sub-delegated but only to –

i. the chief financial officer;

ii. a senior manager; or

iii. a bid adjudication committee of which the chief financial officer or a senior manager is a member; or

c) not exceeding R2 million (VAT included) may be sub-delegated but only to –

i. the chief financial officer;

ii. a senior manager;

iii. a manager directly accountable to the chief financial officer or a senior manager; or

iv. a bid adjudication committee.

5.3. An official or bid adjudication committee to which the power to make final awards has been sub-delegated in accordance with paragraph 5.2 of this policy must within five days of the end of each month submit to the official referred to in paragraph 5.4 of this policy a written report containing particulars of each final award made by such official or committee during that month, including –

- a) the amount of the award;
- b) the name of the person to whom the award was made; and
- c) the reason why the award was made to that person.

5.4. A written report referred to in paragraph 5.3 of this policy must be submitted –

a) to the accounting officer, in the case of an award by –

- i. the chief financial officer;
- ii. a senior manager; or
- iii. a bid adjudication committee of which the chief financial officer or a senior manager is a member; or

b) to the chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by –

- i. a manager referred to in subparagraph 5.2(c)iii of this policy; or
- ii. a bid adjudication committee of which the chief financial officer or a senior manager is not a member.

5.5. Paragraphs 5.3 and 5.4 do not apply to procurements out of petty cash.

5.6. This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 23 of this policy.

5.7. No supply chain management decision-making powers may be delegated to an advisor or consultant.

5.8. *This policy sets out the sub-delegations to be applied in accordance with this paragraph. Any changes will be reported to council by the accounting officer.*

6. OVERSIGHT ROLE OF COUNCIL

6.1. The council must maintain oversight over the implementation of this supply chain management policy.

6.2. For the purposes of such oversight the accounting officer must –

- a) within 30 days of the end of each financial year, submit a report on the implementation of the supply chain management policy of the municipality and of any municipal entity under its sole or shared control, to the council of the municipality; and
- b) wherever there are serious and material problems in the implementation of the supply chain management policy, immediately submit a report to the council.

6.3. The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor.

6.4. The reports must be made public in accordance with section 21A of the Municipal Systems Act

7. ESTABLISHMENT OF A SUPPLY CHAIN MANAGEMENT UNIT

7.1. The accounting officer must establish a supply chain management unit to implement this supply chain management policy.

7.2. The supply chain management unit must, where possible, operate under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the MFMA.

7.3. *The direct supervision of the supply chain management unit, hereinafter referred to as the 'procurement section', is delegated to the Procurement Manager.*

7.4. *The procurement section is responsible for the co-ordination of oversight of the supply chain management function. It is headed by a procurement manager.*

8. TRAINING OF SUPPLY CHAIN MANAGEMENT OFFICIALS

8.1. Officials responsible for the implementation and management of the supply chain function must be trained in accordance with the requirements of the 'Framework for Minimum Training' issued by the National Treasury¹.

CHAPTER 2

FRAMEWORK FOR SUPPLY CHAIN MANAGEMENT

9. FORMAT OF SUPPLY CHAIN MANAGEMENT

9.1. This supply chain management policy provides systems for –

- demand management;
- acquisition management;
- logistics management;
- disposal management;
- risk management; and
- performance management

Part 1: Demand management

10. SYSTEM OF DEMAND MANAGEMENT

10.1. The accounting officer must establish, through operational procedures, an effective system of demand management in order to ensure that the resources required to support the strategic and operational commitments are delivered at the correct time, at the right price and at the right location, and that the quantity and quality satisfy the needs.

10.2. *The procurement manager has delegated responsibility to ensure such procedures are in place.*

Part 2: Acquisition management

11. SYSTEM OF ACQUISITION MANAGEMENT

11.1. The accounting officer must establish, through operational procedures, an effective system of acquisition management in order to ensure –

- that goods and services are procured by the municipality in accordance with authorised processes only;
- that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the MFMA;

- that the threshold values for the different procurement processes are complied with;
- that bid documentation, evaluation and adjudication criteria, and general conditions of contract, are in accordance with any applicable legislation; and
- that any Treasury guidelines on acquisition management are properly taken into account.

11.2. This policy, except where specifically stated otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110 (2) of the MFMA, including:

- water from the Department of Water Affairs or a public entity, another municipality or municipal entity; and
- electricity from Eskom or another public entity, another municipality or a municipal entity.

11.3. All requests for the procurement of goods and services shall be submitted to the Procurement Manager within the Financial Services Department and must be:

- in writing, clearly specifying the nature and quantity/duration of the goods and services required. Preparation of specifications aimed at procuring goods or services of specific suppliers and brand names should be avoided; and
- certified by the head of department or person with delegated authority that there is sufficient provision in their relevant budget for the procurement.

11.4. If the procurement is for a capital project, Section 19 of the MFMA regarding budgeting and costing of capital projects must also be complied with. In terms of Section 19 (3), following adoption of this policy, Council may approve capital projects below R500 000 either individually or as part of a consolidated programme.

11.5. Where the procurement will have budgetary implications for future years, Section 33 of the MFMA regarding contracts must be complied with. Following Council adoption of this policy, Section 33 (1) will not apply to contracts valued at below R1million or as prescribed by National Treasury.

11.6. The attached appendices include Sections 19 and 33 of the MFMA, for ease of reference

12. RANGE OF PROCUREMENT PROCESSES

12.1. Procurement of goods and services by way of quotations or a competitive bidding process must be within the following estimated threshold values (VAT included) or value as amended by government regulations:

- petty cash purchases, up to a transaction value of R500 (VAT included);
- written or verbal quotations for procurements of a transaction value over up to R2 000(VAT included);
- formal written price quotations for procurements of a transaction value over R2 001 up to R200 000 (VAT included); and
- a competitive bidding process for –
 - ✓ all procurements above a transaction value of R200 000 (VAT included); and
 - ✓ the procurement of long-term contracts.

12.2. The accounting officer may, in writing –

- lower, but not increase, the different threshold values specified in subparagraph 12.1; or
- direct that –
 - ✓ written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2 000;
 - ✓ formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000; or
 - ✓ a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.

12.3. Goods and services may not be deliberately split into parts or items of a lesser value merely to avoid the requirements of this policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

13. GENERAL PRECONDITIONS FOR CONSIDERATION OF WRITTEN QUOTATIONS OR BIDS

13.1. The municipality may not consider a written quotation or bid unless the provider who submitted the quotation or bid –

- has furnished the municipality with that provider's –
 - ✓ full name;
 - ✓ identification number or company or other registration number; and
 - ✓ tax reference number and VAT registration number, if any;

- has authorised the municipality to obtain a tax clearance certificate from the South African Revenue Services that the provider's tax matters are in order; and
- has indicated –
 - ✓ whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
 - ✓ if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or
 - ✓ whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

14. LIST OF ACCREDITED PROSPECTIVE PROVIDERS

14.1. The accounting officer must -

- ensure the maintenance of a list of accredited suppliers to be used in all procurement requirements.
- ensure that such a list is updated quarterly to include any additional prospective providers and any new commodities or types of services. Prospective providers may submit applications at any time.
- at least once a year through commonly circulated local newspapers ,through the website and any other appropriate ways, invite prospective providers of goods and services to apply for evaluation and listing as accredited prospective providers.
- specify the listing criteria for accredited prospective providers;
- disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.

14.2. The procurement manager has delegated responsibility for managing the processes outlined in paragraph 14.1.

14.3. The list should be used to promote participation of Black-owned Small, Medium and Micro Enterprises (SMMEs). The prescripts of the Preferential Procurement Policy

Framework Act, Act No.5 of 2000 will be applied for procurement requirements above R30 000 (and with a lesser value where appropriate).

14.4. Once a list has been compiled per commodity and per type of service, price quotations will be invited from the suppliers in a manner that promotes ongoing competition, including on a rotation basis to be prepared by the procurement manager and agreed by the adjudication committee on an annual basis.

14.5. Where no suitable suppliers are available from the list of accredited suppliers, at least 3 quotations will be obtained from other suppliers and, if this is not possible, the reasons will be documented and approved by the accounting officer.

14.6. The inclusion of any supplier in the database of suppliers does not exempt the supplier from the obligation to respond in the prescribed manner to notices of the municipality's supply chain management requirements.

14.7. Suppliers who wish to be included in the list of accredited suppliers without waiting for the next invitation may approach the procurement section for inclusion, provided that they supply the necessary documentation and information for evaluation. Once these requirements have been satisfied, the procurement section will ensure that the prospective supplier is evaluated and will provide a response as to approval or not within 14 days.

15. PETTY CASH PURCHASES

15.1. The accounting officer must establish the conditions for the procurement of goods by means of petty cash purchases referred to in subparagraph 12.1 a) of this policy, which must include conditions –

- determining the terms on which a manager may delegate responsibility for petty cash to an official reporting to the manager;
- limiting the number of petty cash purchases or the maximum amounts per month for each manager;
- excluding any types of expenditure from petty cash purchases, where this is considered necessary; and
- requiring monthly reconciliation reports from each manager to the chief financial officer, including –

- ✓ the total amount of petty cash purchases for that month; and
- ✓ receipts and appropriate documents for each purpose.

15.2. *The Chief Financial Officer has delegated responsibility for all petty cash purchases and applies the policy as follows –*

- *petty cash purchases may be procured by obtaining one verbal quote provided that either an accredited supplier is used or the Chief Financial Officer is satisfied that the procurement is cost-effective.*
- *the maximum number of petty cash purchases is 1000 per month for the whole municipality*
- *Goods and services may only be procured by way of petty cash, up to a transaction value of R500 (Vat included)*
- *A replenishable petty cash may not exceed R5 000.00 for the whole municipality.*
- *Petty cash may only be used for the following types of expenditure:*
 - ✓ *Refreshments, catering, wheel repairs and other small items*
- *the Expenditure Clerk must compile Monthly Reconciliations to Senior Expenditure Officer who in turn must verify monthly reconciliation reports and submit to the Manager Expenditure in accordance with the reporting requirements in this policy.*

16. WRITTEN OR VERBAL QUOTATIONS

16.1. The accounting officer is responsible for ensuring that, for written or verbal quotations –

- quotations are obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited providers of the municipality, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria in the supply chain management policy required by 14.1 d) of this policy;
- that, to the extent feasible, providers must be requested to submit quotations in writing;
- that, if it is not possible to obtain at least three quotations, the reasons must be recorded and reported quarterly to the accounting officer or another official delegated by the accounting officer;

- that the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and
- that, if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.

16.2. *The following process applies to verbal quotations up to R2 000 (VAT included) –*

▪ goods and services may be procured by obtaining at least 3 verbal quotations, preferably from the list of accredited suppliers. All quotes must be inclusive of carriage and freight costs. The supplier must provide written confirmation of the price and goods for placement of an order prior to an order being placed.

- if quotations are obtained from providers who are not on the accredited list, such providers must meet the listing criteria in this policy.*
- the suppliers' names and their quoted prices must be recorded by someone within the procurement section as delegated by the Chief Financial Officer*
- if it is not possible to obtain at least three quotations, the reasons for this must be recorded by the procurement manager and reported to the chief financial officer on a monthly basis as required by this policy.*

17. The accounting officer must establish the conditions for the procurement of goods or services through formal written price quotations, which must include conditions stating –

- that quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality;
- b)** that quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria in the supply chain management policy required by subparagraph 14.1 d);
- c)** that, if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief financial officer or an official designated by the chief financial officer; and
- d)** that the accounting officer must record the names of the potential providers and their written quotations.

17.2. A designated official referred to in subparagraph 16.3 c) must within three days of the end of each month report to the chief financial officer on any approvals given during that month by that official in terms of that subparagraph.

17.3. The accounting officer must determine the operational procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations, which must stipulate –

- that all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 16.3, be advertised for at least seven days on the website and an official notice board of the municipality;
- that, when using the list of accredited prospective providers, the accounting officer must promote ongoing competition amongst providers, including by inviting providers to submit quotations on a rotation basis;
- that the accounting officer must take all reasonable steps to ensure that procurement of goods and services through written or verbal quotations or formal written price quotations is not abused;
- that the accounting officer or chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub-delegation; and requirements for proper record keeping.

- **18. The following process applies for written price quotations estimated to cost above R2 001 (VAT included) and up to an estimated value of R200 000 –**

-procurement must be obtained by inviting written price quotations from at least three accredited suppliers. The request for quotations will be prepared by the procurement section of the financial services department.

-The procurement manager must ensure that the names of the potential providers and their written quotations are recorded.

-Quotations may be obtained from providers who are not on the list of accredited suppliers, provided that such providers meet the listing criteria in this policy.

*-For those goods or services estimated to cost more than R30,000 quotation notices will be displayed on the municipality's notice board provided for the purpose of displaying quotations and bids, on the municipality's website and may be communicated through any other means as deemed appropriate by the procurement manager. These must give at least 7 days' notice from the date of placement and must indicate the closing date for submissions, except when the provisions in paragraph 33 apply
if it is not possible to obtain at least three quotations the reasons for this must be recorded by the procurement manager and must be approved by the chief financial officer in advance of acceptance of a quotation.*

- *quotations for goods and services estimated to cost more than R2 001.00 and up to R200 000.00 must:*

- ✓ *be in writing, and signed by a person with the necessary authority to act on behalf of the prospective supplier;*
- ✓ *substantially comply with the specifications set out in the quotation notice; and*
- ✓ *include any other documentation required by the chief financial officer.*
- *if for any reason this process is not followed, the reasons for deviation must be documented by the procurement manager and approved by the chief financial officer.*

19. COMPETITIVE BIDDING PROCESS

19.1. Goods or services above a transaction value of R200 000 (VAT included) and long-term contracts may only be procured through a competitive bidding process, subject to paragraph 11.2 of this policy; and

19.2. No requirement for goods or services above an estimated transaction value of R200 000 (VAT included) may deliberately be split into parts or items of a lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

19.3. The accounting officer must establish procedures for a competitive bidding process for each of the following stages:

- The compilation of bidding documentation;
- The public invitation of bids;
- Site meetings or briefing sessions, if applicable;
- The handling of bids submitted in response to public invitation;
- The evaluation of bids;
- The award of contracts; and
- Proper record keeping.

20. The following process applies for the municipality's competitive bidding:

- *Procurement requisitions for amounts in excess of R200 000.00 and for long-term contracts will be by invitation through public advertisement;*
- *The bid documentation will be prepared by the procurement manager in consultation with the relevant department official and must be displayed on notice boards referred to under paragraph 19.1, placed on the council's website, and advertised in commonly circulated local newspapers with a closing date of at*

least 14 days (for those valued at up to R10m) or 30 days (for those above R10m) after the date that the advertisement first appears.

- *Specifications for bids will be prepared by one of the means indicated in paragraph 24.2.*

- *For a bid to be considered it must comply with all the requirements of the bid documentation (as set out in paragraph 18) and be placed in the official bid box located as advertised.*

20.2. *The council charges a non-refundable deposit for provision of bid documents. This charge is subject to annual review.*

21. BID DOCUMENTATION FOR COMPETITIVE BIDS

21.1. The accounting officer must establish the criteria to which bid documentation for a competitive bidding process must comply, which in addition to paragraph 13 of this policy, the bid documentation must –

- take into account –
 - ✓ the general conditions of contract;
 - ✓ any National Treasury guidelines on bid documentation; and
 - ✓ the requirements of the Construction Industry Development Board as approved by the National Treasury, in the case of any bids relating to construction, upgrading or refurbishment of buildings or infrastructure;
- include evaluation and adjudication criteria in line with any applicable legislation such as the Preferential Procurement Framework Act and the Broad-Based Black Economic Empowerment Act and their regulations;
- compel bidders to declare any conflict of interest that they may have in the transaction for which the bid is submitted;
- if the value of the transaction is expected to exceed R10 million (VAT included), a requirement to furnish –
 - ✓ if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –
 - for the past three years; or
 - since their establishment if established during the past three years
 - ✓ a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
 - ✓ particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;

- ✓ a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic and, if so, what portion and whether any portion of payment from the municipality is expected to be transferred out of the Republic; and
- stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.

21.2. *The procurement manager has delegated responsibility to ensure compliance with paragraph 18.1. and will do so in consultation with the officials from the relevant department for whom goods or services are being procured.*

NOTE: THE INTENTION BEHIND THE ABOVE PROVISION IS UNCLEAR, AND IT SHOULD BE REFORMULATED

22. PUBLIC INVITATION FOR COMPETITIVE BIDS

22.1. The accounting officer must determine the procedure for the invitation of competitive bids, which must stipulate that:

- Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality or any other appropriate ways; and
- The information contained in a public advertisement must include –
 - ✓ the closure date for submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long-term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to subparagraph 19.2 of this policy; and
 - ✓ a statement that bids may only be submitted on the bid documentation provided by the municipality.
- The accounting officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement (as appropriate), but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

- Bids submitted must be sealed;
- Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.
-

22.2. *The procurement manager is responsible for ensuring the procedure outlined in paragraph 19.1 is complied with.*

23. PROCEDURE FOR HANDLING, OPENING AND RECORDING OF BIDS

23.1. The accounting officer must determine the procedures for the handling, opening and recording of bids, which must stipulate that: NOTE: THE PRECEDING PORTION IS SOMEWHAT POINTLESS – IT STATES THAT THE MM MUST DETERMINE PROCEDURES, AND THEN CARRIES ON TO STIPULATE THOSE PREOICEDURES. SEE PARA. 23 OF TREASURY’S MODEL POLICY.

- Bids –
 - ✓ must be opened only in public; and
 - ✓ must be opened at the same time, and as soon as possible after the period for the submission of bids has expired;
- Any bidder or member of public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder’s total bidding price; and
- The accounting officer must –
 - ✓ record in a register all bids received in time;
 - ✓ make the register available for public inspection; and
 - ✓ publish the entries in the register and the bid results on the website.

23.2. The chief financial officer or delegated official will ensure that bid boxes are sealed until the time of their official opening, and ensure that they are properly secured.

23.3. *At the advertised time, the bid box will be unlocked and opened by two officials – one from the financial services department and one from the corporate services department and, where possible, an officer from the relevant department for which the bid is being made. This will be done in public i.e. in the presence of the bidders or other interested parties. A supply chain management official will open bid documents (in a location as specified in the bid documentation) in the presence of an officer from the corporate services department, the relevant department, and any other interested*

parties. Provided that the appropriate procedure for advertising the time and venue has been followed the bid box can still be opened should any members of the public not be present.

23.4. *The names and total bid amounts will be read out and recorded in the bid register, which will be available for public inspection on request. The original record must be kept in the procurement manager's office and a copy of the record should be provided to the relevant department official. In instances of bulk bid amounts that are too time-consuming to read out, only those requested by bidders will be read, and a complete schedule provided as soon as is practical. Bid results will be published on the municipality's web site.*

24. NEGOTIATIONS WITH PREFERRED BIDDERS

24.1. The accounting officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation – does not allow any preferred bidder a second or unfair opportunity; is not to the detriment of any other bidder; and

- does not lead to a higher price than the bid submitted.

24.2. Minutes of such negotiations must be kept for record purposes.

25. TWO-STAGE BIDDING PROCESS

25.1. For large , complex projects, projects of a special nature such as those where it is undesirable or not cost-effective to complete detailed technical specifications, and long-term projects over three years, a two-stage bidding process may be used:

- The first stage is to invite unpriced technical proposals on the basis of conceptual design or performance specifications, subject to adjustments and technical and commercial clarifications and adjustments.
- The second stage is to require amended bid documents and the submission of final technical proposals and priced bids.

26. COMMITTEE SYSTEM FOR COMPETITIVE BIDS

26.1. The accounting officer is required to –

- establish a committee system for competitive bids consisting of at least –
 - ✓ a bid specification committee;
 - ✓ a bid evaluation committee; and
 - ✓ a bid adjudication committee;
- appoint the members of each committee, taking into account section 117 of the MFMA; and
- provide for an attendance or oversight process by a neutral or independent observer,

appointed by the accounting officer, when this is appropriate for ensuring fairness and promoting transparency.

26.2. The committee system must be consistent with –

- paragraphs 24, 25 and 26 of this policy; and
- any other applicable legislation.

26.3. The accounting officer may apply the committee system to formal written price quotations.

27. BID SPECIFICATION COMMITTEE

27.1. The bid specification committee must compile the specifications for all procurement of goods or services by the municipality.

27.2. Specifications –

- must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
- must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
- where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
- may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification;
- may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word 'equivalent';
- must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2000 (see schedule attached); and
- must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 19 of this policy.
-

27.3. The bid specification committee must be composed of one or more officials of the municipality, preferably the manager responsible for the function involved and may, when appropriate, include external specialist advisors.

27.4. No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

27.5. For all quotations and tenders with an estimated value between R30 000 (VAT included) and R1 million (VAT included) preference points will be allocated as follows:

NOTE: DO WE MEAN "BETWEEN" OR "FROM...TO"?

POINTS

Value for money substantially to specification (price) 80

Other Preference points 20

Total 100

27.6. Other preference points will be as per the Balanced Scorecard provided in the Procurement Regulations of the Preferential Procurement Policy Framework Act, 2000. This scorecard is provided in the Annexure to this policy and provides that, if the score for BBBEE is less than 40% then no points will be awarded. NOTE: WHAT IS MEANT BY "NO POINTS"? NO OTHER PREFERENCE POINTS, OR NO POINTS AT ALL? If all bids exceed R1 million (VAT included) the bid invitation is to be cancelled and re-invited with the correct preference points.

27.7. Prior to the award of a bid, the Municipality may cancel the bid due to changed circumstances, or if there are insufficient funds to proceed, or if no acceptable bid is received.

27.8. For all bids with an estimated value above R1 million preference points will be allocated as follows:

POINTS

Value for money substantially to specification (price) 90

Other Preference points 10

Total 100

27.9. Other preference points will be as per the balanced scorecard provided in the Procurement Regulations of the Preferential Procurement Policy Framework Act, 2000. This scorecard is provided in the appendix to this policy. If all bids are less than R1 million (VAT included) the bid invitation is to be cancelled and re-invited with the correct preference points.

27.10. Prior to the award of a bid, the municipality may cancel the bid due to changed

circumstances, or if there are insufficient funds to proceed, or if no acceptable bid is received.

27.11. *The committee shall be composed of the following members:*

Standing members (2)

- Procurement Manager/ Accountant SCM & Budget*
- one Supply Chain Management Practitioner.*

Other members

- professionals with required technical expertise from the departments for whom the goods or services are to be procured, as may be required for each committee meeting*
- external specialists as deemed necessary*

27.12. *The quorum for each meeting of the bid specification committee is 1 standing member plus relevant departmental members for whom the goods or services are being procured. If relevant department members are not present then items relating to those departments must be deferred to the next meeting.*

28. BID EVALUATION COMMITTEE

28.1. The bid evaluation committee must –

- evaluate bids in accordance with –
 - ✓ the specifications for a specific procurement; and
 - ✓ the points system set out in terms of paragraph 24.2 f).
- evaluate each bidder's ability to execute the contract;
- check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears; and
- submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

28.2. The bid evaluation committee must as far as possible be composed of –

- officials from departments requiring the goods or services; and
- at least one supply chain management practitioner of the municipality.

28.3. *The committee shall be composed of the following members:*

Standing members (4)

- Officer Income and Expenditure)*
- Procurement Manager/ SCM & Budget*

- Officials from departments requiring the goods or services; and
- at least one supply chain management practitioner of the municipality or municipal entity
- HR & Admin Officer

Other members

- A maximum of one additional official from each of the departments for whom the goods or services are being procured (these can be the same as those who serve on the specification committee), provided that these officials can only actively contribute to discussions on, and vote on, those items for their respective departments.

28.4. *The chairmanship of the bid evaluation committee is to be determined by the accounting officer and is to be rotated at least on an annual basis (but cannot be the independent person).*

28.5. *The quorum for each meeting of the bid evaluation committee is:*

- 2 standing members, provided that:
one is the Procurement Manager/Officer SCM & Budget – as supply chain management practitioner, and one must be the independent person. If the independent person is not available the Chief Financial Officer must nominate a replacement to act as independent observer
- plus a maximum of one additional representative from each of the relevant departments for whom the goods or services are being procured (this may include standing members). Should there be no representatives for the department(s) for whom the goods or services are being procured then the item(s) must be deferred to the next meeting.

28.6. *Members cannot serve on any adjudication committee(s) that adjudicates on any of the same items that they have considered on the evaluation committee(s).*

29. BID ADJUDICATION COMMITTEE

29.1. *The bid adjudication committee must –*

- consider the report and recommendations of the bid evaluation committee; and
- either –
 - ✓ depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or

- ✓ make another recommendation to the accounting officer how to proceed with the relevant procurement.

29.2. the bid adjudication committee must consist of at least four senior managers of the municipality, which must include –

- the chief financial officer or, if the chief financial officer is not available, another manager in the financial services department reporting directly to the chief financial officer and designated by the chief financial officer; and
- at least one senior supply chain management practitioner who is an official of the municipality; and
- a technical expert in the relevant field who is an official, if such an expert exists.

29.3. The accounting officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.

29.4. Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.

29.5. If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid –

- check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears; and
- notify the accounting officer.

29.6. The accounting officer may –

- after due consideration the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph 26.5; and
- if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.

29.7. The accounting officer may, at any stage of a bidding process, refer any recommendation back to that committee for reconsideration of the recommendation.

29.8. The accounting officer must comply with section 114 of the MFMA (relating to approval of tenders not recommended) within 10 working days.

29.9. *The bid adjudication committee shall be composed of the following members:*

Standing members (4)

- Chief Financial Officer*
- Director Community Services*
- at least one senior supply chain management practitioner*

- Admin Manager

Other members

- any technical experts in the relevant field, when deemed necessary by the chairperson

29.10. *The Chief Financial Officer should be the chairperson of the committee. If the chairperson is absent from a meeting, the Municipal Manager will appoint the chairperson of the committee meeting.*

29.11. *The quorum for each meeting of the bid adjudication committee is 3 standing members.*

29.12. *Members of the adjudication committee(s) cannot be members on either the specification committee(s) or the evaluation committee(s) that consider any of the same items to be adjudicated on. This includes any members who are appointed by nomination or delegation.*

29.13. *Members of the bid evaluation committee may present their reports to the bid adjudication committee and clarify any uncertainties. However, such members will not have any voting power on the bid adjudication committee.*

29.14. *The successful bidder will be advised by the relevant department of the outcome of their bid as soon as practical after the bid adjudication committee has approved the bid. There is no need to wait for approval of the minutes of that meeting.*

29.15. *All approved bids will be listed on the municipality's website and on the notice board(s) referred to in paragraph 19.1 above in the week following their approval, for a period of 7 days.*

30. PROCUREMENT OF BANKING SERVICES

30.1. Banking services –

- must be procured through competitive bids;
- must be consistent with section 7 or 85 of the MFMA; and
- may not be for a period of more than **five years** at a time.

30.2. The process for procuring contracts for banking services must commence at least nine months before the end of an existing contract.

30.3. The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 19.1.

30.4. Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

31. PROCUREMENT OF IT RELATED GOODS OR SERVICES

31.1. The accounting officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.

31.2. Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.

31.3. The accounting officer must notify SITA together with a motivation of the IT needs if –

- a transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or
- the transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).

31.4. If SITA comments on the submission and the municipality disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the KwaZulu-Natal provincial treasury and the Auditor General.

32. PROCUREMENT OF GOODS AND SERVICES UNDER CONTRACTS SECURED BY OTHER ORGANS OF STATE

32.1. The accounting officer may procure goods or services under a contract secured by another organ of state, but only if –

- the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
- there is no reason to believe that such contract was not validly procured;

- there are demonstrable discounts or benefits to do so; and
- that other organ of state and the provider have consented to such procurement in writing.

32.2. Subparagraphs 29.1 c) and d) do not apply if the municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.

33. PROCUREMENT OF GOODS NECESSITATING SPECIAL SAFETY ARRANGEMENTS

33.1. The acquisition and storage of goods in bulk (other than water) that necessitate special safety arrangements, including gasses and fuel, should be avoided wherever possible.

33.2. Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the accounting officer.

34. PROUDLY SA CAMPAIGN

34.1. The accounting officer must determine internal operating procedures supporting the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from

- Firstly – suppliers and businesses within the municipality or local;
- Secondly – suppliers and businesses within the relevant province; and
- Thirdly – suppliers and businesses within the Republic of South Africa.

35. APPOINTMENT OF CONSULTANTS

35.1. The accounting officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when procurements are made.

35.2. Consultancy services must be procured through competitive bids if –

- the value of the contract exceeds R200 000 (VAT included); or
- the duration period of the contract exceeds one year.

35.3. In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –

- all consultancy services provided to an organ of state in the last five years; and
- any similar consultancy services provided to an organ of state in the last five years.

35.4. The accounting officer must ensure that copyright in any document produced and the patent rights or ownership in any plant, machinery, thing, system or process

designed or devised by a consultant in the course of the consultancy service, is vested in the municipality.

36. DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF, PROCUREMENT

PROCESSES

36.1. The accounting officer may –

- dispense with the official procurement processes established by this policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –
 - ✓ in an emergency;
 - ✓ if such goods or services are produced or available from a single provider only;
 - ✓ for the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - ✓ acquisition of animals for zoos and/or nature and game reserves; or
 - ✓ in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
- ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

36.2. The accounting officer must record the reasons for any deviations in terms of subparagraphs 33.1 a) and b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.

36.3. Subparagraph 33.2 does not apply to the procurement of goods and services contemplated in subparagraph 11.2 of this policy.

37. UNSOLICITED BIDS

37.1. In accordance with section 113(2) of the MFMA there is no obligation to consider unsolicited bids received outside a normal bidding process.

37.2. The accounting officer may decide in terms of section 113(2) of the MFMA to consider an unsolicited bid, only if –

- the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;

- the product or service will be exceptionally beneficial to, or have exceptional cost advantages for, the municipality;
- the person who made the bid is the sole provider of the product or service; and
- the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.

37.3. If the accounting officer decides to consider an unsolicited bid that complies with subparagraph 34.2 of this policy then that decision must be made public in accordance with section 21A of the Municipal Systems Act, together with –

- the reasons why the bid should not be open to other competitors;
- an explanation of the potential benefits for the municipality were it to accept the unsolicited bid; and
- an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.

37.4. Once the municipality has received written comments pursuant to paragraph 34.3, it must submit such comments, including any responses from the unsolicited bidder, to the National Treasury and the KwaZulu-Natal provincial treasury for comment.

37.5. The bid adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.

37.6. A meeting of the bid adjudication committee to consider an unsolicited bid must be open to the public.

37.7. When considering the matter, the bid adjudication committee must take into account –

- any comments submitted by the public; and
- any written comments and recommendations of the National Treasury or the relevant provincial treasury.

37.8. If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor General, the KwaZulu-

Natal provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.

37.9. Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

38. COMBATING OF ABUSE OF SUPPLY CHAIN MANAGEMENT POLICY

38.1. The accounting officer must take all reasonable steps to prevent the abuse of the supply chain management system.

38.2. The accounting officer will investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with the supply chain management policy and, when justified, –

- take appropriate steps against such official or other role player; or

- report any alleged criminal conduct to the South African Police Service.

38.3. The National Treasury's database must be checked prior to the awarding of any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector.

38.4. Bids from bidders who fail to comply with the essential requirements of the bid documentation, referred to in paragraph 18, or who during the last five years have failed to perform satisfactorily on a previous contract with the municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory, must be rejected.

38.5. Bids must be rejected from any bidder whose municipal rates and taxes or municipal charges owed by that bidder or any of its directors to the municipality, or to any other municipality, are in arrears for more than three months.

38.6. The accounting officer must reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract.

38.7. A contract awarded to a person must be cancelled if –

- the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
- an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person.

38.8. Bids from bidders, including directors, who –

- abuse the supply chain management policy in any way, or
- who have been convicted of fraud or corruption in the past five years, or
- who have wilfully neglected or failed to comply with any public sector contract during the past five years, or
- have been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004) must be rejected.

38.9. The accounting officer must inform the National Treasury and the KwaZulu-Natal provincial treasury in writing of any actions taken as a result of 35.2 b), 35.6 or 35.7

Part 3: Logistics, Disposal, Risk and Performance Management

39. LOGISTICS MANAGEMENT

39.1. The accounting officer must establish an effective system of logistics management in order to provide for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, transport management, vendor performance, maintenance, and contract administration.

40. DISPOSAL MANAGEMENT

40.1. The accounting officer must establish an effective system of disposal management for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act, which must stipulate the following:

- The disposal of assets must–
 - ✓ be by one of the following methods –
 - transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
 - transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
 - selling the asset; or
 - destroying the asset;
 - ✓ provided that –
 - immovable property may be sold only at market-related prices except when the public interest or the plight of the poor demands otherwise;
 - movable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market-related prices, whichever is the most advantageous;
 - in the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 days whether any of the local schools are interested in the equipment; and
 - in the case of the disposal of firearms, the National Conventional

Arms Control Committee has approved any sale or donation of firearms to any person or institution within or outside the Republic;

- ✓ furthermore ensure that –
 - immovable property is let at market-related rates except when the public interest or the plight of the poor demands otherwise; and
 - all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed; and
- ✓ ensure that where assets are traded in for other assets, the highest possible trade-in price is negotiated.

40.2. *The bid adjudication committee will determine the most appropriate disposal method, taking account the provisions of paragraph 37.1.*

41. RISK MANAGEMENT

41.1. The accounting officer must establish an effective system of risk management for the identification, consideration and avoidance of potential risks in the supply chain management system. NOTE: IT IS QUESTIONABLE THAT THE CRITERIA FOR THE IDENTIFICATION, CONSIDERATION AND AVOIDANCE OF RISK SHOULD BE LEFT TO THE ACCOUNTING OFFICER. SEE PARA. 41 OF THE MODEL POLICY, WHICH CLEARLY CONTEMPLATES THE DETAILS BEING CONTAINED IN THE POLICY ITSELF.

41.2. Risk management must include –

- the identification of risks on a case-by-case basis;
- the allocation of risks to the party best suited to manage such risks;
- acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
- the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
- the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

42. PERFORMANCE MANAGEMENT

42.1. The accounting officer must establish an effective internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the desired objectives were achieved.

Part 4: Other matters

43. PROHIBITION ON AWARDS TO PERSONS WHOSE TAX MATTERS ARE NOT IN ORDER

43.1. Irrespective of the procurement process followed the municipality may not make any award above R15 000 to a person whose tax matters have not been declared by the South African Revenue Service to be in order.

43.2. Before making an award to a person, the municipality must first check with SARS whether that person's tax matters are in order.

43.3. If SARS does not respond within seven days such person's tax matters for purposes of paragraph 40.1 are presumed to be in order.

44. PROHIBITION ON AWARDS TO PERSONS IN THE SERVICE OF THE STATE

44.1. Irrespective of the procurement process followed the accounting officer must ensure that the municipality does not make any award to a person –

- who is in the service of the state;
- if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
- who is an advisor or consultant contracted with the municipality.

45. AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE

45.1. The notes to the annual financial statements of the municipality must disclose particulars of any awards of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –

- the name of that person;

- the capacity in which that person is in the service of the state; and
- the amount of the award.

46. ETHICAL STANDARDS

46.1. A code of ethical standards is hereby established, in accordance with subparagraph 43.2, for officials and other role players in the supply chain management system in order to promote –

- mutual trust and respect; and
- an environment where business can be conducted with integrity and in a fair and reasonable manner.

46.2. An official or other role player involved in the implementation of the supply chain management policy –

- must treat all providers and potential providers equitably;
- may not use his or her position for private gain or to improperly benefit another person;
- may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;
- notwithstanding subparagraph 43.2 c), must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
- must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the municipality;
- must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
- must be scrupulous in his or her use of property belonging to the municipality;
- must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and
 - ✓ must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –
 - ✓ any alleged fraud, corruption, favouritism or unfair conduct;

- ✓ any alleged contravention of paragraph 47(1) of this policy; or
- ✓ any alleged breach of this code of ethical standards.
- ✓

46.3. Declarations in terms of subparagraphs 43.2d) and e) –

- must be recorded in a register which the accounting officer must keep for this purpose;

- by the accounting officer must be made to the mayor of the municipality who must ensure that such declarations are recorded in the register.

46.4. The National Treasury's code of conduct must also be taken into account by supply chain management practitioners and other role players involved in supply chain management.

NOTE: THE PROCEDURE SET OUT ABOVE DOES NOT MAKE A GREAT DEAL OF SENSE. IT WOULD BE MORE SENSIBLE SIMPLY TO ADOPT TREASURY'S CODE. SEE PARA 46 OF MODEL SCM POLICY.

46.5. *It is recommended that the municipality adopt the National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management. When adopted, such code of conduct becomes binding on all officials and other role players involved in the implementation of the supply chain management policy of the municipality or municipal entity. A copy of the National Treasury code of conduct is available on the website www.treasury.gov.za/mfma located under "legislation". This code of conduct must be adopted by council.*

46.6. A breach of the code of conduct adopted by the municipality must be dealt with in accordance with schedule 2 of the Systems Act.

47. INDUCEMENT, REWARDS, GIFTS AND FAVOURS TO MUNICIPALITIES, OFFICIALS AND OTHER ROLE PLAYERS

47.1. No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –

- any inducement or reward to the municipality for, or in connection with, the award of a contract; or
- any reward, gift, favour or hospitality to –
 - ✓ any official; or
 - ✓ any other role player involved in the implementation of the supply chain management policy.

47.2. The accounting officer must promptly report any alleged contravention of subparagraph 44.1 to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to

have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

47.3. Subparagraph 44.1 does not apply to gifts less than R350 in value.

48. SPONSORSHIPS

48.1. The accounting officer must promptly disclose to the National Treasury and the KwaZulu-Natal provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is –

- provider or prospective provider of goods or services; or
- a recipient or prospective recipient of goods disposed or to be disposed.

49. OBJECTIONS AND COMPLAINTS

Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge the complaint within 14 days of the decision or action.

- If the objection or complaint is against the procurement process, submit a written objection or complaint against the decision or action to the accounting officer of the municipality who shall, in turn, within 24 hours refer the written objection or complaint to the independent and impartial person referred to in paragraph 50 for resolution or
- If such complaint or objection is against the award of a bid, lodge a written appeal with the Municipal Bid Appeals Tribunal in accordance with the provisions of paragraph 50A

50. RESOLUTION OF OBJECTIONS AND COMPLAINTS AGAINST PROCUREMENT PROCESS

- The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management process to assist in the resolution of objections and complaints between the municipality and any other person regarding_
- The implementation of the procurement process in terms of the supply chain management system; or
- Any matter arising from the implementation of the procurement process in terms of the supply chain management system
- The accounting officer, or another official designated by the accounting officer, is

responsible for assisting the appointed person to perform his or her functions effectively.

- The person appointed must-
 - ✓ Strive to resolve promptly all objections and complaints received, and
 - ✓ Submit monthly reports to the accounting officer on all such objections and complaints received, attended to or resolved.
 - ✓ If the independent and impartial person referred to in paragraph 50.1, is of the view that a matter which should be dealt with in terms of paragraph 50A, he or she shall forthwith refer the matter to the Municipal Bid Tribunals and that Tribunal shall then hear and determine the matter in accordance with the provisions of paragraph 50A.

(5) An objection or complaint may be referred to the KwaZulu-Natal Provincial Treasury if:

- The objection or complaint is not resolved within 60 days, or
- No response is forthcoming within 60 days.
- If the Provincial Treasury does not or cannot resolve the matter , the objection or complaint may be referred to the National Treasury for resolution.

50A. MUNICIPAL BID APPEALS TRIBUNAL

- The council shall establish a Municipal Bid Appeals Tribunal for its area of jurisdiction to hear and determine an appeal against the award of a bid.
- The accounting officer of the municipality, in consultation with the Provincial Treasury, shall appoint the Chairperson, Deputy Chairperson and Members of the Municipal Bid Appeals Tribunal.
- The powers, duties and functions of the Municipal Bid Appeals Tribunal and matters incidental thereto are set out in the Rules which are appended to this Supply Chain Management Policy and marked Appendix A.
- The administrative and secretarial work involved in the performance of the duties and functions of the Municipal Bid Appeals Tribunal shall be performed by officers of the Provincial Treasury as set out in the Rules referred to in paragraph 50A.3
- There shall be no further appeal against a decision of the Municipal Appeals Tribunal.

51. CONTRACTS PROVIDING FOR COMPENSATION BASED ON TURNOVER

51.1. If a service provider acts on behalf of a municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the municipality must stipulate –

- a cap on the compensation payable to the service provider; and
- that such compensation must be performance based.

52. COMMENCEMENT

52.1. This policy takes effect on the date on which it is adopted by the council.

APPENDIX A – SUMMARY OF PREFERENTIAL PROCUREMENT REQUIREMENTS

CALCULATION OF THE PREFERENCE POINT SYSTEM

The 80/20 or 90/10 Preference Point System

Preference point system

(a) The 80/20 preference point system is applicable to bids with a rand value equal to or above R30 000 and up to a rand value of R1 000 000.00 (all applicable taxes included) Institutions may apply the 80/20 preference point system to price quotations with a value less than R30 00 if and when appropriate.

(b) The 90/10 preference point system is applicable to bids with a rand value above R1 million (all applicable taxes included).

Calculation of point for price

The PPPFA prescribes that the lowest acceptable bid will score 80 or 90 points for price. Bidders that quoted higher prices will score lower points for price on a pro-rata basis.

The formulae to be utilised in calculating points scored for price are as follows:

80/20 Preference point system [(for acquisition of services, works or goods up to a Rand value of R1 million) (all applicable taxes included)]

$$P_s = 80(1 - P_t - P_{min})$$

P_{min}

Where

P_s = Points scored for comparative price of bid or offer under consideration

P_t = Comparative price of bid or offer under consideration

P_{min} = Comparative price of lowest acceptable bid or offer. Page 45 of 59

Preference point system [(for acquisition of services, works or goods with a rand value above R1 million) (all applicable taxes included)]

$$P_a = 90 (1 - P_t - P_{min})$$

P_{min}

Where

P_s = Points scored for comparative price of bid or offer under consideration

P_t = Comparative price of bid or offer under construction

P_{min} = Comparative price of lowest acceptable bid or offer.

Points scored must be rounded off to the nearest 2 decimal places.

Calculation of points for B-BBEE status level of contributor

Points must be awarded to a bidder for attaining the BBEE status level of contribution in accordance with the table below:

BBBEE Status Level of Contributor	Number of points (90/10 system)	Number of points (80/20 system)
1	10	20
2	9	18
3	8	18
4	5	12
5	4	8
6	3	6
7	2	4
8	1	0
Non -compliant contributor	0	0

A bid must not be disqualified from the bidding process if the bidder does not submit a certificate substantiating the B-BBEE status level of contribution or is a non-compliant contributor. Such bidder will score zero (0) out of a maximum of 10 or 20 points respective of B-BBEE

Calculation of total points scored for price and B-BBEE status level of contribution

The point scored for price must be added to the points scored for B-BBEE status level of contribution to obtain the bidder's total points scored out of 100.

SECTION 1: PREFERENTIAL PROCUREMENT POLICY FRAMEWORK ACT NO5.0F
2000, *PREFERENTIAL PROCUREMENT REGULATIONS 2004*

The municipality must determine a preferential procurement policy. This policy must be implemented within a framework which follows the following preference point system:

- For contracts with a rand value above a prescribed amount, a maximum of 10 points is allocated for specific goals as contemplated below, provided that the lowest acceptable tender scores 90 points for price;
- For contracts with a rand value equal to or below a prescribed amount, a maximum of 20 points is allocated for specific goals as contemplated below, provided that the lowest acceptable tender scores 80 points for price.

Other acceptable tenders that are higher in price must score fewer points, on a pro-rata basis, calculated on their tender prices in relation to the lowest acceptable tender, in accordance with the prescribed formula.

The specific goals set by the municipality for preferential procurement must include contracting with persons, or categories of persons, who have been historically disadvantaged by unfair discrimination on the basis of race, gender or disability.

The specific goals of the policy must further include the implementation of programmes of the reconstruction and development programme, as published in *Government Gazette no. 16085 dated 23 November 1994 or subsequent regulations*.

Any specific criteria for which a point is awarded must be clearly specified in the invitation to submit tenders. The municipality must *normally* award its contract to the tenderer who scores the highest points. If not, the municipality must be able to produce objective criteria in addition to those contemplated above to justify the award to another tenderer. The specific goals determined by the municipality for its preferential procurement policy must be measurable, quantifiable and monitored for compliance.

SECTION 2: BROAD BASED BLACK ECONOMIC EMPOWERMENT ACT NO. 53 OF 2003

The Minister of trade and Industry may by notice in the gazette issue codes of good practice on black economic empowerment that may include (inter alia) the following:

- further interpretation and definition of broad based black economic empowerment and the interpretation and definition of different categories of black empowerment entities;
- qualification criteria for preferential purposes for procurement and other economic activities;
- indicators to measure broad based black economic empowerment; and
- the weighting to be attached to broad based black economic empowerment indicators as referred to above

Every organ of state and public entity must take into account and, as far as it may be reasonably possible, apply any relevant code of good practice issued in terms of the present Act in:

- determining qualification criteria for the issuing of licences, concessions or other authorisations in terms of any laws;
- developing and implementing a preferential procurement policy;
- determining qualification criteria for the sale of state-owned enterprises; and
- developing criteria for entering into partnerships with the private sector.

The Minister must also issue a strategy for broad based black economic empowerment.

This strategy must:

- provide for an integrated, co-ordinated and uniform approach to broad based black economic empowerment by all organs of state, public entities, the private sector, non-governmental organisations, local communities and other stakeholders,
- develop a plan for financing broad based black economic empowerment; and
- provide a system for organs of state, public entities and other enterprises to prepare broad based black economic empowerment plans and to report on compliance with those plans.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

PRICE

1: (80/20 PREFERENCE POINT SYSTEM)

For competitive bids/price quotations equal to or above R30 000 and up to a Rand value of R1million (but can be used for quotations of less than R30 000 if deemed appropriate)

$$P_s = 80 \left(1 - \frac{P_t - P_{min}}{P_{min}} \right)$$

Where

P_s = points scored for comparative price of bid/offer under consideration

P_t = comparative price of bid/offer under consideration

P_{min} = comparative price of lowest acceptable bid/offer

A maximum of 20 points is then added to the above score based on the assessment against the Broad-Based Black Economic Empowerment scorecard

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

PRICE

2: (90/10 PREFERENCE POINT SYSTEM)

For competitive bids/price quotations with a Rand value above R1 million

$$P_s = 90 \left(1 - \frac{P_t - P_{min}}{P_{min}} \right)$$

Where

P_s = points scored for comparative price of bid/offer under consideration

P_t = comparative price of bid/offer under consideration

P_{min} = comparative price of lowest acceptable bid/offer

A maximum of 10 points is then added to the above score based on the assessment against the Broad-Based Black Economic Empowerment scorecard

APPENDIX B – EXTRACTS FROM LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT NO. 56 OF 2003 (MFMA)

SECTION 14: DISPOSAL OF CAPITAL ASSETS

A municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services.

2) A municipality may transfer ownership or otherwise dispose of a capital asset other than one contemplated in subsection 1), but only after the municipal council, in meeting open to the public-

a) has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and

b) has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

3) A decision by a municipal council that a specific capital asset is not needed to provide the minimum level of basic municipal services, may not be reversed by the municipality after that asset has been sold, transferred or otherwise disposed of.

4) A municipal council may delegate to the accounting officer of the municipality its power to make the determinations referred to in subsection 2) a) and b) in respect of moveable capital assets below a value determined by the council.

5) Any transfer of ownership of a capital asset in terms of subsection 2) or 4) must be fair, equitable, transparent, competitive and consistent with the supply chain management policy which the municipality must have and maintain in terms of section 111.

SECTION 19: CAPITAL PROJECTS

A municipality may spend money on a capital project only if-

a) the money for the project, excluding the cost of feasibility studies conducted by and behalf of the municipality, has been appropriated in the capital budget referred to in section 17 (2);

b) the project, including the total cost, has been approved by council

c) section 33 has been complied with, to the extent that section may be applicable to the project; and

d) the sources of funding have been considered, are available and have not been committed for other purposes.

2) Before approving a capital project in terms of subsection 1) b), the council of a municipality must consider-

a) the projected cost covering all financial years until the project is operational; and

b) the future operational costs and revenue on the project, including municipal tax and tariff implications.

A municipal council may in terms of subsection 1) b) approve capital projects below a prescribed value either individually or as part of a consolidated capital programme.

SECTION 33: CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

A municipality may enter into a contract which will impose financial obligations on the municipality beyond a financial year, but if the contract will impose financial obligations on the municipality beyond the three years covered in the annual budget for that financial year, it may do so only if-

a) the municipal manager, at least 60 days before the meeting of the municipal council at which the contract is to be approved-

i) has in accordance with section 21A of the Municipal Systems Act –

(aa) Made public the draft contract and an information statement summarising the municipality's obligations in terms of the proposed contract; and

(bb) Invited the local community and other interested persons to submit to the municipality comments or representations in respect of the proposed contract; and

ii) has solicited the views and recommendations of-

(aa) the National Treasury and the relevant provincial treasury

(bb) the national department responsible for local government; and

(cc) if the contract involves the provision of water, sanitation, electricity, or any other service as may be prescribed, the responsible national department;

b) the municipal council has taken into account-

i) the municipality's projected financial obligations in terms of the proposed contract for each financial year covered by the contract;

ii) the impact of those financial obligations on the municipality's future municipal tariffs and revenue;

iii) any comments or representations on the proposed contracts received from the local community and other interested persons

iv) any written views and recommendations on the proposed contract by National Treasury, the relevant provincial treasury, the national department responsible for local government and any national department referred to in paragraph (a) (ii) (cc); and

c) the municipal council has adopted a resolution in which-

i) it determines that the municipality will secure a significant capital investment or will derive a significant financial economic or financial benefit from the contract;

ii) it approves the entire contract exactly as it is to be executed; and it authorises the municipal manager to sign the contract on behalf of the municipality.

2) The process set out in subsection 1) does not apply to-

a) contracts for long-term debt regulated in terms of section 46 (3);

- b) employment contracts; or
- c) contracts-
 - i) for categories of goods as may be prescribed; or
 - ii) in terms of which the financial obligation on the municipality is below-
 - (aa) a prescribed value; or
 - (bb) a prescribed percentage of the municipality's approved budget for the year in which the contract is concluded
- 3) (a) All contracts referred to in subsection 1) and all other contracts that impose a financial obligation on the municipality-
 - i) must be made available in their entirety to the municipal council: and
 - ii) may not be withheld from public scrutiny except as provided for in terms of the Promotion of Access of Information Act 2000 (Act No. 2 of 2000).
- b) Paragraph (a) i) does not apply to contracts in respect of which the financial obligation on the municipality is below a prescribed value.

This section may not be read as exempting the municipality from the provisions of Chapter 11 to the extent that those provisions are applicable in a particular case.

SECTION 110: APPLICATION OF THIS PART

Chapter 11 Part 1, which deals with supply chain management, applies to-

- a) the procurement by a municipality or municipal entity of goods and services;
- b) the disposal by a municipality or municipal entity of goods no longer needed;
- c) the selection of contractors to provide assistance in the provision of municipal services otherwise than in the circumstances envisaged in Chapter 8 of the Municipal Systems Act; and
- d) the selection of external mechanisms as referred in Section 80 of the Municipal Systems Act for the provision of municipal services in the circumstances contemplated in section 83 of that Act.

Except where specified, this part of the Act does not apply if a municipality contracts with another organ of state for:

- a) the provision of goods and services to the municipality;
- b) the provision of a municipal service or assistance in the provision of a municipal service; and
- c) the procurement of goods and services under a contract secured by such other organ of state, provided that the relevant supplier has agreed to such procurement.

SECTION 111: SUPPLY CHAIN MANAGEMENT POLICY

Each municipality and municipal entity must have and implement a supply chain management policy which gives effect to the provisions of this part of the present Act.

SECTION 112: SUPPLY CHAIN MANAGEMENT POLICY TO COMPLY WITH PRESCRIBED FRAMEWORK

The supply chain management policy of a municipality or municipal entity must be fair, equitable, transparent, competitive and cost-effective and comply with a prescribed regulatory framework for municipal supply chain management, which must cover at least the following:

- a) the range of supply chain management processes that municipalities and municipal entities may use, including tenders, quotations, auctions and other types or competitive bidding;
- b) when a municipality or municipal entity may or must use a particular type of process;
- c) procedures and mechanisms applicable to each type of process;
- d) procedures and mechanisms for more flexible processes where the value of a contract is below a prescribed amount;
- e) open and transparent pre-qualification processes for tenders or other bids;
- f) competitive bidding processes in which only pre-qualified persons may participate,
- g) bid documentation, advertising of and invitation for contracts;
- h) procedures and mechanisms for:
 - i. the opening, registering and recording of bids in the presence of interested persons;
 - ii. the evaluation of bids to ensure best value for money;
 - iii. negotiating the final terms of contracts; and
 - iv. the approval of bids;
- i) screening processes and security clearances for prospective contractors on tenders or other bids above a prescribed value;
- j) compulsory disclosure of any conflicts of interests prospective contractors may have in specific tenders, and the exclusion of such prospective contractors from those tenders or bids;
- k) participation in the supply chain management system of persons who are not officials of the municipality or municipal entity;
- l) the barring of persons from participating in tendering or other bidding processes, including persons:

- who were convicted for fraud or corruption during the past 5 years;
- ii. who wilfully neglected, reneged or failed to comply with a government contract during the past 5 years; or
- iii. whose tax matters are not clearer by the South African Revenue Service;
- m) measures for:
 - i. combating fraud, corruption, favouritism and unfair and irregular practices in municipal supply chain management; and
 - ii. promoting the ethics of officials and other role players involved in municipal supply chain management;
- n) the invalidation of recommendations or decisions that were unlawfully or improperly made, taken or influenced, including recommendations or decisions that were made, taken or in any way influenced by:
 - i. councillors in contravention of item 5 or 6 of the code of conduct for councillors set out in Schedule 1 to the Municipal Systems Act; or
 - ii. municipal officials in contravention of item 4 or 5 of the code of conduct for municipal staff members set out in Schedule 2 to that Act;
- o) the procurement of goods and services by municipalities or municipal entities through contracts procured by other organs of state;
- p) contract management and dispute settling procedures: and
- q) the delegation of municipal supply chain management powers and duties, including to officials.

The regulatory framework for municipal supply chain management must be fair, equitable, transparent, competitive and cost-effective.

SECTION 113: UNSOLICITED BIDS

A municipality or municipal entity is not obliged to consider an unsolicited bid received outside its normal bidding process.

If a municipality or municipal entity does decide to consider an unsolicited bid it may do so only in accordance with the prescribed framework.

SECTION 114: APPROVAL OF TENDERS NOT RECOMMENDED

If a tender other than the one recommended in the normal course of implementing the supply chain management policy is approved, the accounting officer of the municipality or municipal entity must, in writing, notify the Auditor-General, the provincial treasury and

the national treasury and, in the case of a municipal entity, also the parent municipality, of the reasons for deviating from such recommendation.

The above requirements do not apply if a different tender is approved purely to rectify an irregularity.

SECTION 115: IMPLEMENTATION OF SYSTEM.

The accounting officer of a municipality or municipal entity must implement the supply chain management policy and must take all reasonable steps to ensure that proper mechanisms and separation of duties in the supply chain management system are in place to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices.

No person may impede the accounting officer in fulfilling this responsibility.

SECTION 116: CONTRACTS AND CONTRACT MANAGEMENT

A contract or agreement procured through the supply chain management system must be in writing and must stipulate the terms and conditions of the contract or agreement, which must include provisions which allow for:

- i. the termination of the contract or agreement in the case of non- or under- performance;
- ii. dispute resolution mechanisms to settle disputes between the parties; and
- iii. a periodic review of the contract or agreement once every 3 years in the case of a contract or agreement for longer than 3 years.

The accounting officer must:

- a) take all reasonable steps to ensure that a contract or agreement procured through the supply chain management supply is properly enforced;
- b) monitor on a monthly basis the performance of the contractor under the contract or agreement;
- c) establish capacity in the administration to assist the accounting officer in carrying out the foregoing responsibilities. and in overseeing the day-to-day management of contracts and agreements; and
- d) regularly report to the council or the board of directors, as the use may be, on the management of the contract or agreement and the performance of the contractor.

A contract or agreement procured through the supply chain management policy may be amended by the parties, but only after:

- a) the reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of the municipal entity, in the council of its parent municipality; and
- b) the local community has been given reasonable notice of the intention to amend the contract or agreement, and has been invited to submit representations to the municipality or municipal entity.

SECTION 117: COUNCILLORS BARRED FROM SERVING ON MUNICIPAL TENDER COMMITTEES

No councillor of any municipality may be a member of a municipal bid committee or any other committee evaluating or approving tenders, quotations, contracts or other bids, nor attend any such meeting as an observer.

SECTION 118: INTERFERENCE

No person may interfere with the supply chain management system of the municipality or municipal entity, or amend or tamper with any tenders, quotations, contracts or bids after their submission.

SECTION 119: COMPETENCY LEVELS OF OFFICIALS INVOLVED IN MUNICIPAL SUPPLY CHAIN MANAGEMENT (EFFECTIVE 1 JULY 2014)

The accounting officer and all other officials of the municipality or municipal entity involved in the implementation of the supply chain management policy must meet the prescribed competency levels. The municipality or municipal entity must provide resources or opportunities for the relevant training of the officials referred to in order to ensure that the prescribed competency levels are met.

Approved By the Council:.....

Resolution Number:.....

Signed By the MM:.....

Date Of Signature:.....

